

Message Text

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TO AMEMBASSY LONDON IMMEDIATE

C O N F I D E N T I A L STATE 146466

EXDIS

TOSEC 405

FOLLOWING REPEAT USNATO 3779 ACTION SECSTATE BONN 08 JULY
1974. QUOTE:

C O N F I D E N T I A L USNATO 3779

EXDIS

E.O. 11652: GDS

TAGS: ECON, NATO

SUBJ: DISCUSSION OF ECONOMIC ISSUES IN NATO

REF: BRUSSELS 4584

1. OF STATEMENTS BY EUROPEAN HEADS OF GOVERNMENTS AT JUNE 26 NAC
PLENARY, THAT OF FRG CHANCELLOR SCHMIDT WAS PARTICULARLY NOTABLE FOR
ITS ORIGINALITY. TAKING PHRASE IN PRESIDENT NIXON'S OPENING
REMARKS "OUR ECONOMIES BEING UNDER A SIGNIFICANT PRESSURE" AS A
DEPARTING POINT, SCHMIDT SPOKE ENTIRELY OF ECONOMIC STRAINS
FACING THE ALLIANCE, VIZ., INFLATION, INCREASING PRICES OF OIL
AND RAW MATERIALS, DANGERS OF RESTRICTIVE TRADE POLICIES, AND
UNPRECEDENTED PAYMENTS DEFICITS IN MEMBER COUNTRIES AND IN THE
THIRD WORLD. SCHMIDT SAID "THE MOST IMMINENT POLITICAL DANGER
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FOR THIS GROUP OF NATIONS, AT PRESENT AND FOR A FORESEEABLE

NUMBER OF MONTHS OR YEARS, IS NOT SO MUCH IN THE MILITARY FIELD; IT IS IN THE ECONOMIC FIELD, AND THE FINANCIAL AND THE MONETARY FIELDS." PRESIDENT NIXON, IN HIS CONCLUDING REMARKS, AGREED WITH SCHMIDT'S EMPHASIS ON THE NECESSITY FOR COOPERATION IN THE ECONOMIC AREA, A QUESTION OF "HIGHEST PRIORITY" FOR THE ALLIANCE.

2. MISSION HAS LEARNED FROM FRG DELEGATION THAT WHILE SCHMIDT HAD A PREPARED STATEMENT ABOUT THE ATLANTIC DECLARATION, THE MIDDLE EAST TRIP, AND THE MOSCOW SUMMIT, HE PUT IT ASIDE TO SPEAK EXTEMPORANEOUSLY ON THE PRESSING ECONOMIC ISSUES FACING THE ALLIANCE. FRG DELEGATION DOES NOT KNOW WHETHER SCHMIDT INTENDED TO SUGGEST GREATER DISCUSSION OF ECONOMIC ISSUES IN THE NAC AND, IF NOT, WHY HE CHOSE TO MAKE SUCH ISSUES THE THEME OF HIS STATEMENT IN NATO FORUM.

3. FOR BONN. MISSION SUGGESTS EMBASSY BONN EXPLORE WITH FONOFF CURRENT FRG THINKING ABOUT ENHANCED DISCUSSION OF ECONOMIC ISSUES IN THE NAC IN LIGHT OF SCHMIDT'S STATEMENT.

4. FOR DEPARTMENT. MISSION CONTINUES TO BELIEVE THAT THE COUNCIL, AS IT AGREED TO DO IN 1957 (DOCUMENT C-R(57)4), SHOULD DISCUSS ECONOMIC ISSUES OF SPECIAL INTEREST TO THE ALLIANCE, PARTICULARLY THOSE WHICH HAVE POLITICAL OR DEFENSE IMPLICATIONS OR AFFECT THE ECONOMIC HEALTH OF THE ATLANTIC COMMUNITY AS A WHOLE (SEE USNATO 5425 OF NOV. 10, 1973). THIS IS PARTICULARLY APPROPRIATE IN VIEW OF THE EMPHASIS PLACED BY BOTH PRESIDENT NIXON AND CHANCELLOR SCHMIDT ON THE IMPORTANCE OF WESTERN ECONOMIC PROBLEMS TO THE WELL BEING OF THE ALLIANCE, AND IN VIEW OF THE OFT QUOTED STATEMENT OF SECRETARY KISSINGER'S THAT THEY ARE "LINKED BY REALITY". WHILE NATO NEED NOT BECOME THE FORUM FOR THE DETAILED ANALYSIS AND NEGOTIATION OF TRADE, FINANCIAL AND MONETARY QUESTIONS, MISSION BELIEVES PERIODIC DISCUSSION IN THE NAC OF IMPORTANT INTRA-ALLIED ECONOMIC ISSUES WOULD STRENGTHEN COHESIVENESS AND VITALITY OF THE ALLIANCE IN COPING WITH THE MOST PRESSING PROBLEMS AFFECTING COOPERATION AMONG THE MEMBER STATES. FURTHER, DISCUSSION OF SELECTED ECONOMIC ISSUES
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IN THIS POLITICAL AND SECURITY FORUM COULD HELP TO LINK THESE ISSUES IN PRACTICE, AS THEY ARE LINKED BY REALITY.
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